



Local

Montgomery gets warning on bond rating

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Montgomery County Executive Ike Leggett faces a possible downgrade of the county's bond rating, which could cost the county millions in borrowing costs. (Greg Whitesell/Examiner file)

Only second 'watch' in 35 years of AAA status

A major bond-rating agency is warning investors that banking on Montgomery County -- the economic engine of Maryland and the state's richest county -- might not be a safe bet.

Moody's Investors Service, one of the three main rating agencies, put the county's top-notch AAA bond rating on a watch list for a potential downgrade. Moody's cited the county's "extremely narrow" projected reserves, as County Executive Ike Leggett plans to tap into almost all of the county's \$120 million rainy day fund, as a reason for the move.

The county's AAA rating, the highest possible, allows Montgomery to borrow money at lower interest rates. A downgrade could cost the county millions of dollars in borrowing costs for expensive construction projects and could cost more in indirect ways because of the advantage a AAA rating gives the county, said Leggett spokesman Patrick Lacefield.

The last and only time the county has been put on a watch list in its 35-plus years of

having a AAA rating was during an economic downturn in 1992.

The two other bond agencies recently affirmed the county's AAA rating, but indicated that there's potential for those ratings to change. Fitch Ratings also expressed concerns about Leggett's plan to tap into its rainy day fund. In response, Leggett proposed increasing energy taxes to raise an extra \$95 million. That increase would raise the average resident's energy bill by \$60 a year.

Moody's rating caught many county officials by surprise and sent them scrambling for ideas to boost county reserves. Council President Nancy Floreen has pledged that the county will do "whatever it takes" to keep its much-vaunted rating.

County officials have said they have no other choice but to use the rainy day fund because of huge revenue write-downs and to cover unexpected costs like the \$60 million price tag to clean up this winter's snowstorms.

Standard & Poor's said it might have to revise the county's outlook from "stable" to "negative" if the county doesn't deal with its ongoing revenue decline.

A recent income tax distribution, based largely on amended and audited tax returns from 2007, was 75 percent -- or \$24 million -- less than the county projected.

County officials said they are nervous that their projections for the rest of the fiscal year may be off, creating an even bigger gap than the current \$800 million the county faces.

Bond ratings

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District	A1/A+
Fairfax	AAA
Arlington	AAA
Alexandria	AAA

Montgomery: AAA

Prince George's: AAA/AA1/AA+

Maryland: AAA

Virginia: AAA

Source: Credit rating agencies

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